

Message Text

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ACTION AF-18

INFO OCT-01 ADP-00 H-02 EB-11 RSR-01 RSC-01 /034 W

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R 051040 Z JUL 73

FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC 0269

C O N F I D E N T I A L TRIPOLI 0884

E. O. 11652: GDS

TAGS: CASC LY

SUBJECT: LAVCO/ DIAMOND LEASING CO.

REF: STATE 128484

1. DEPARTMENT MAY INFORM INTERESTED CONGRESSMEN AND DIAMOND LEASING PRINCIPALS THAT LIBYAN CIVIL AVIATION DEPARTMENT, ACTING ON INSTRUCTIONS FROM COUNCIL OF MINISTERS, WILL NOT REPEAT NOT RELEASE AIRCRAFT UNTIL ALL LAVCO DEBTS ARE PAID OR UNTIL CORPORATE " LIQUIDATOR" PROVIDES GUARANTEE OF PAYMENT FOR ALL LAVCO LIABILITIES. LARG DECISION TO HOLD AIRCRAFT BASED ON TWO FACTORS: FIRST IS FACT THAT AIRCRAFT REPRESENT SOLE TANGIBLE ASSET WHICH LARG CAN HOLD IN EFFORT TO FORCE PAYMENT. SECOND, AND MORE IMPORTANT, IS REPORTED STATEMENT TO LARG BY " RE-PRESENTATIVE OF THE OWNERS OF THE AIRCRAFT" THAT OWNERS WILL UNDERTAKE TO PAY ALL LAVCO LIABILITIES IN LIBYA.

2. IN VIEW THIS STATEMENT IT DOES NOT APPEAR THAT EMBASSY, IN ANY WAY, OBTAIN RELEASE UNTIL DEBTS IN THE AMOUNT OF ROUGHLY LDINARS 45,000 SETTLED.

3. FOR DEPT INFO ONLY: ECONOFF INVESTIGATION INCLUDING TALK WITH LIQUIDATOR (NON- LIBYAN) HAS RESULTED IN FOLLOWING CONCLUSIONS:

A. LAVCO AND DIAMOND LEASING MAY BE SEPARATE LEGAL ENTITIES. NEVERTHELESS, THEY ARE BOTH PARTS
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OF COMPLICATED MULTI- CORPORATION STRUCTURE CREATED BY SAME GROUP OF NATURAL PERSONS. WHILE LARG MAY RECONGIZE LEGAL DISTINCTIONS BETWEEN THE CORPORATIONS, THEY WILL NOT RECOGNIZE ANY MORAL RESPONSIBILITY TO RELEASE ASSETS OF DIAMOND LEASING.

B. APPEARS OBVIOUS THAT ONE MAIN PURPOSE OF CREATING NET OF CORPORATIONS IN LIBYA , MALTA, AND THE U. S. WAS TO LIMIT RISKS TO CAPITAL OF CORPORATE PRINCIPALS AND TO PROVIDE MECHANISM FOR EXPATRIATION OF CAPITAL FROM LIBYA.

C. OVER PAST SEVERAL YEARS LAVCO/ DIAMOND LEASING/ ET AL HAVE USED THIS STRUCTURE TO EXPATRIATE AMOUNTS OF CAPITAL, WHICH, DURING ANY SINGLE YEAR, FAR EXCEEDED THE VALUE OF THE AIRCRAFT IN LIBYA. THESE OPERATIONS INCLUDED SEVERAL DEALS FOR PAYMENT IN HARD CURRENCY OUTSIDE LIBYA WHICH APPEAR TO BE IN VIOLATION LIBYAN LAW.

4. NOT CLEAR TO US THAT AMERICAN BUSINESSMEN IN THIS CASE HAVE UNDERTAKEN, MUCH LESS EXHAUSTED, LOCAL JUDICIAL REMEDIES PER 10 FAM 988. IT MAY NOT BE FUTILE TO DO SO. MEANWHILE, ANY DIAMOND LEASING ATTEMPT TO INVOLVE USG IN EFFORT TO RELEASE AIRCRAFT BY CLAIMING THERE NO CONNECTION BETWEEN DIAMOND LEASING AND LAVCO DESTINED TO FAIL BECAUSE CLAIM IS TRANSPARENTLY FALSE. CLEAR TO US THAT LAVCO OPERATIONS OVER PAST YEARS ARE SUCH THAT IDENTIFYING USG WITH CORPORATE PRINCIPALS WOULD RESULT IN MAJOR EMBARRASSMENT FOR USG AND THIS MISSION.

5. DETAILS OF POST INVESTIGATION INTO THIS MATTER FOLLOW TO AF/ N BY POUCH.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TRIPOL00884
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GDS
Errors: n/a
Film Number: n/a
From: TRIPOLI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730766/aaaajzqb.tel
Line Count: 102
Locator: TEXT ON-LINE
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 STATE 128484
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 03 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Jan-2002 by boyleja>; APPROVED <16-Jan-2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980313
Subject: LAVCO/ DIAMOND LEASING CO.
TAGS: CASC, LY
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005